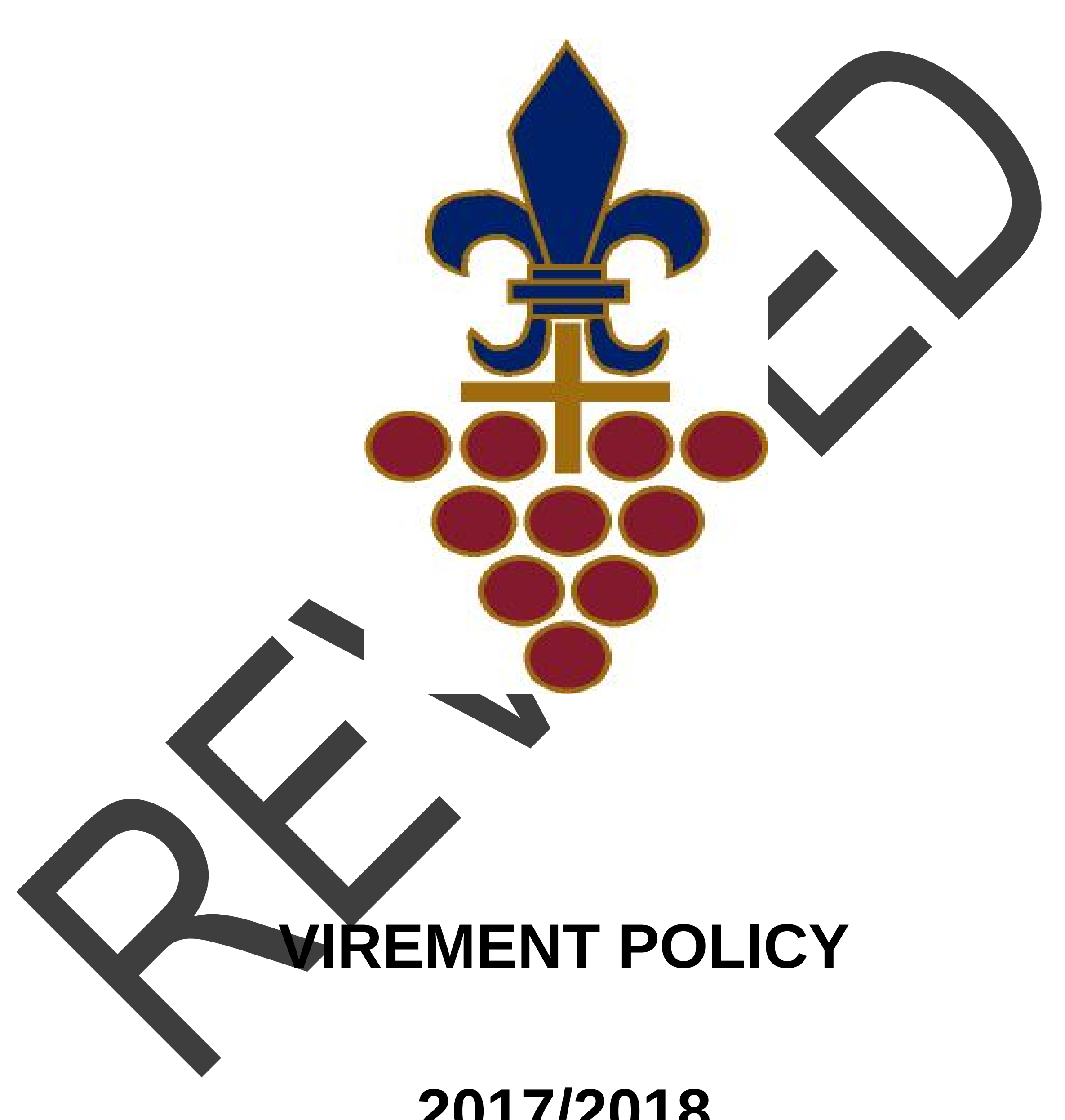
APPENDIX 17

STELLENBOSCH MUNICIPALITY



VIREMENT POLICY

2017/2018

REVISED



STELLENBOSCH MUNICIPALITY

VIREMENT POLICY

Table of Contents

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1. Preamble

Cognisance taken of the need that may arise to transfer within approved votes due to the change in circumstances and priorities.

2. Definitions

~~**"Accounting officer"** means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;~~

"Approved budget," means an annual budget-

a) ~~(a)~~ approved by a municipal council, or

b) ~~(b)~~ includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Budget transfer" means transfer of funding within a ~~function /~~ vote subject to limitations.

~~**"Budget Year"** means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;~~

“C~~c~~apital budget” means a financial plan catering for large and long-term sums for investment in property, plant and machinery, over a period greater than the period considered under an operating budget.

“Chief Financial Officer” means a person designated in terms of section 80(2) (a) of the MFMA;

~~**"current year"** means the financial year, which has already commenced, but not yet ended;~~

"D~~d~~elegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"F~~f~~inancial year" means a twelve months period commencing on 1 July and ending on 30 June each year

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"M~~m~~unicipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"M~~m~~unicipality"-

a) ~~(a)~~ when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

b) ~~(b)~~ when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

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~~**"municipal service"** has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);~~

~~**"National Treasury"** means the National Treasury established by section 5 of the Public Finance Management Act;~~

"O~~o~~fficial", means-

a) ~~(a)~~ an employee of a municipality or municipal entity;

b) ~~(b)~~ a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or

c) ~~(c)~~ a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

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"O~~o~~perating budget". An operating budget is the annual budget of an activity stated in terms of Budget Classification Code, functional/sub-functional categories and cost accounts. It contains estimates of the total value of resources required for the performance of the operations in terms of revenue and expenditure including reimbursable work or services for others;

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"O~~o~~verspending"-

a) ~~(a)~~ means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

b) ~~(b)~~ in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

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c) (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"quarter" means any of the following periods in a financial year:

(a) 1 July to 30 September;

(b) 1 October to 31 December;

(c) 1 January to 31 March; or

(d) 1 April to 30 June;

"VVirement" refer to the definition of budget transfer

"VVote" means-

a) (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the

b) municipality; and

(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

c)

3. Legislative Framework

Paragraph 4.6 of Circular 51 of the MFMA states that:

"The MFMA and the Municipal Budget and Reporting Regulations seek to move municipalities away from the traditional approach of appropriating/approving budgets by line item. The aim is to give the heads of municipal departments and programmes greater flexibility in managing their budgets. To further facilitate this, each municipality must put in place a council approved virements policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes."

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4. Objective of Policy

This policy shall give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework in terms of the Approved budget.

The policy sets out the virement principles and processes which Stellenbosch Municipality will follow during a financial year.

These virements will represent a flexible mechanism to effect budgetary amendments within a municipal financial year.

The policy shall apply to all staff and councillors of the Stellenbosch Municipality that are involved in budget implementation.

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5. Virement Clarification

Virement is the process of transferring budgeted funds from one line item number to another, with the recommendation of the relevant Director to the CFO or delegated finance official, to enable the Budget Office to effect the adjustments.

6. Virement Procedure

~~a)~~ All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation. (See annexure 1 and 2)

a)

b) All virements must be signed and supported~~motivated~~ by the relevant Director of the directorate within which the vote is allocated. (Section 79 MFMA)

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c) Projected cash flows in the SDBIP should be adjusted in line with the virement.

~~c)~~d) Relevant corroborating documentation must be attached on the virement form to support the transfer.

~~d)~~e) All documentation must be in order and approved before any expenditure can be committed and incurred.~~ (Section 79 MFMA)~~

~~e) No virements of funds across votes (directorates) will be accommodated during the year; unless within the adjustments budget.~~

f) All virementations must be motivated and need to be approved by the CFO or a delegated official after the Director of the department has recommended said transfer. The latter requires that such application reaches the office of the CFO prior to incurring expenditure.

g) No virements after the closing of orders as stipulated in the financial protocol and/or formally communicated in line with the financial year-end preparation will be considered unless in an absolute emergency that could reasonably not have been foreseen.

7. ~~7.~~ Virement Restrictions

a) Virements are not permitted in relation to the revenue side of the budget.

b) No virements of funds across votes (directorates) will be accommodated during the year; unless within the adjustments budget.

c) Virements from the capital budget to the operating budget are not permitted.

d) Virements will not result in adding 'new' projects to the Capital Budget.

e) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework will not be permitted.

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e)

f) The budget savings from the following line items (necessary adjustments) may only be considered and transferred by the CFO:

(i) Salaries and allowances
(ii) Depreciation
(iii) Finance Charges (Interest on Loan)
(iv) Appropriations
(v) Contributions to Funds
(vi) Administration Cost
(vii) Municipal Services Consumption (Water, Electricity, Refuse and Sewerage)
(viii) Internal charges
(ix) Bulk Purchases (Water and Electricity)
(x) Agency Fees
(xi) Grants and subsidies paid

g) An approved virement does not give expenditure authority outside of what is allowed by Council's Supply Chain Management Policy.

g) No virements of funds across votes (directorates) will be accommodated during the year; unless within the adjustments budget.

h)

8. General Principle

Virements will only be approved if they facilitate and promote sound risk and financial management.

9. Accountability

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a) Accountability to ensure that the virementation application forms are completed in accordance with Council's virement policy and are not in conflict with the directorate's strategic objectives manifests with the head of the relevant directorate.

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~~b) Approved Virements will be reported for information to the Executive Mayor on a quarterly basis or as part of an adjustments budget.~~

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10. Annexures

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Annexure 1: Virement Form (Capital and Operating)

Annexure 2: Supporting document to Ward Allocation virement request.